

BEFORE THE DIVISION OF INSURANCE

STATE OF COLORADO

FINAL AGENCY ORDER O-07-041

**IN THE MATTER OF THE MARKET CONDUCT EXAMINATION OF ALLIANZ
LIFE INSURANCE COMPANY OF NORTH AMERICA,**

Respondent

THIS MATTER comes before the Colorado Commissioner of Insurance (the "Commissioner") as a result of a market conduct examination conducted by the Colorado Division of Insurance (the "Division") of Allianz Life Insurance Company of North America (the "Respondent"), pursuant to §§ 10-1-201 to 207, C.R.S. The Commissioner has considered and reviewed the market conduct examination report dated October 17, 2006 (the "Report"), relevant examiner work papers, all written submissions and rebuttals, and the recommendations of staff. The Commissioner finds and orders as follows:

FINDINGS OF FACT

1. At all relevant times, the Respondent was licensed by the Division as a life, accident and health insurance company.
2. In accordance with §§ 10-1-201 to 207, C.R.S., on October 17, 2006, the Division completed a market conduct examination of the Respondent. The period of examination was July 1, 2004 to June 30, 2005.
3. In scheduling the market conduct examination and in determining its nature and scope, the Commissioner considered such matters as complaint analyses, underwriting and claims practices, pricing, product solicitation, policy form compliance, market share analyses, and other criteria as set forth in the most recent available edition of the examiners' handbook adopted by the National Association of Insurance Commissioners, as required by § 10-1-203(1), C.R.S.
4. In conducting the examination, the examiners observed those guidelines and procedures set forth in the most recent available edition of the examiners' handbook adopted by the National Association of Insurance Commissioners and the Colorado insurance examiners handbook. The Commissioner also employed other guidelines and procedures that he deemed appropriate, pursuant to § 10-1-204(1), C.R.S.

5. The market conduct examiners prepared a Report. The Report is comprised of only the facts appearing upon the books, records, or other documents of the Respondent, its agents or other persons examined concerning Respondent's affairs. The Report contains the conclusions and recommendations that the examiners find reasonably warranted based upon the facts.
6. Respondent delivered to the Division written submissions and rebuttals to the Report.
7. The Commissioner has fully considered and reviewed the Report, all of Respondent's submissions and rebuttals, and all relevant portions of the examiner's work papers.

CONCLUSIONS OF LAW AND ORDER

8. Unless expressly modified in this Final Agency Order ("Order"), the Commissioner adopts the facts, conclusions and recommendations contained in the Report. A copy of the Report is attached to the Order and is incorporated by reference.
9. Issue B1 concerns the following violation: Failing to provide broker/dealers and registered representatives with an annual notification of the requirement to obtain Company approval of all advertisements prior to use and the most serious consequence of not obtaining such approval. The Respondent shall provide evidence that it has ensured that broker/dealers and registered representatives receive annual notification of the requirement to obtain Respondent's approval of all advertisements prior to use and the consequence of not obtaining such approval in compliance with Colorado insurance law.
10. Issue B2 concerns the following violation: Using and/or approving for use, advertisements that contained single statements that were untruthful and/or misleading in fact. The Respondent shall provide evidence to ensure that practices of using and/or approving for use, advertisements that contain statements that are untruthful and/or misleading have been corrected and are in compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
11. Issue B3 concerns the following violation: Using and/or approving for use, advertisements that contained commercial rating recommendations without including the required disclosures. The Respondent shall provide evidence to ensure that practices of using and/or approving for use, advertisements that contain commercial rating recommendations without including the required disclosures have been corrected and are in compliance with

Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.

12. Issue B4 concerns the following violation: Using and/or approving for use, advertisements in which disclosures were either minimized, rendered obscure, presented in an ambiguous fashion, or intermingled with the text in a manner that made the advertisements confusing and/or misleading. The Respondent shall provide evidence to ensure that all instances of using and/or approving for use, advertisements containing disclosures that are either minimized, rendered obscure, presented in an ambiguous fashion, or intermingled with the text that made the advertisements confusing and/or misleading have been corrected and are in compliance with Colorado insurance law.
13. Issue B5 concerns the following violation: Using and/or approving for use advertisements that contain a special offer with an enrollment period that is more than forty (40) days from the first date advertised. The Respondent shall provide evidence to ensure that all instances of using and/or approving for use, advertisements that contain a special offer with an enrollment period that is more than forty (40) days from the first date advertised have been corrected and are in compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
14. Issue G1 concerns the following violation: Failing, in some cases, to notify existing insurers of a proposed replacement within five (5) business days of receipt of a completed application. The Respondent shall provide evidence that it has corrected its procedures to ensure it will notify existing insurers of a proposed replacement within five (5) business days of receipt of a completed application to ensure compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
15. Issue G2 concerns the following violation: Failing, in some cases, to produce copies of the notification regarding replacement required in Colorado Regulation 4-1-4. The Respondent shall provide evidence that it has revised its procedures to be able to produce copies of the notification regarding replacement required in Colorado Regulation 4-1-4 to ensure compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
16. Issue G3 concerns the following violation: Failing to develop and maintain an adequate anti-fraud plan to detect and prevent all forms of insurance fraud, as well as failing to develop and maintain adequate written

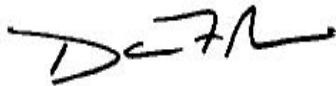
procedures to ensure compliance with Colorado Regulation 4-1-11. The Respondent shall provide evidence that it has developed and will maintain an adequate anti-fraud plan to detect and prevent all forms of insurance fraud, as well as developing and maintaining adequate written procedures to supervise recommendations of its insurance producers to ensure compliance with Colorado insurance law.

17. Issue G4 concerns the following violation: Failing, in some cases, to ensure that the product sold was suitable for the senior consumer based on the facts disclosed. The Respondent shall provide evidence that it has revised its procedures to ensure that the sold product is suitable for the senior consumer based on the disclosed facts to ensure compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
18. Issue G5 concerns the following violation: Failing, in some cases, to send notifications or sending untimely notifications to the existing insurer affected by a proposed replacement, when the agent ordered funds from the prior carrier. The Respondent shall provide evidence that notifications to the existing insurer affected by a proposed replacement when the agent ordered funds from the prior carrier follow proper procedures and are sent in a timely manner to ensure compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
19. Pursuant to § 10-1-205(3)(d), C.R.S, the Respondent shall pay a civil penalty to the Division in the amount of thirty-four thousand eight hundred and no/100 dollars (\$34,800.00) for the cited violations of Colorado law. This fine was calculated in accordance with Division guidelines for assessing penalties and fines, including Division bulletin no. 1-98, issued on January 1, 1998.
20. Pursuant to § 10-1-205(4)(a), C.R.S., within sixty (60) days of the date of this Order, the Respondent shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.
21. Unless otherwise specified in this Order, all requirements with this Order shall be completed within thirty (30) days of the date of this Order. Respondent shall submit written evidence of compliance with all requirements to the Division within the thirty (30) day time frame, except where Respondent has already complied, as specifically noted in the Order. Copies of any rate and form filings shall be provided to the rate and forms section with evidence of the filings sent to the market conduct section. All self audits, if any, shall be performed in accordance with Division's document, 'Guidelines for Self Audits Performed by Companies', presented

at the market conduct examination exit meeting. Unless otherwise specified in this Order, all self audit reports must be received within ninety (90) days of the Order, including a summary of the findings and all monetary payments to covered persons.

22. This Order shall not prevent the Division from commencing future agency action relating to conduct of the Respondent not specifically addressed in the Report, not resolved according to the terms and conditions in this Order, or occurring before or after the examination period. Failure by the Respondent to comply with the terms of this Order may result in additional actions, penalties and sanctions, as provided for by law.
23. Copies of the examination report, the Respondent's response, and this final Order will be made available to the public no earlier than thirty (30) days after the date of this Order, subject to the requirements of § 10-1-205, C.R.S.

WHEREFORE: It is hereby ordered that the findings and conclusions contained in the Report dated October 17, 2006, are hereby adopted and filed and made an official record of this office, and the above Order is hereby approved this 20th day of December, 2006.



David F. Rivera
Commissioner of Insurance

CERTIFICATE OF MAILING

I hereby certify that on the 20th day of December, 2006, I caused to be deposited the **FINAL AGENCY ORDER NO. O-07-041 IN THE MATTER OF THE MARKET CONDUCT EXAMINATION OF ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA**, in the United States mail via certified mailing with proper postage affixed and addressed to:

Mr. Mark A. Zesbaugh, President
Allianz Life Insurance Company of North America
5701 Golden Hills Drive
Minneapolis, MN 55416-1297

Peggy A. Moon, Vice President and Chief Compliance Officer
Allianz Life Insurance Company of North America
5701 Golden Hills Drive
Minneapolis, MN 55416-1297

A handwritten signature in black ink, appearing to read "Dolores Arrington". The signature is fluid and cursive, with the first name "Dolores" being more prominent than the last name "Arrington".

Dolores Arrington, AIE,AIRC,ACS,MA.
Market Conduct Section
Division of Insurance